

Most frequently used Financial Ratios

Liquidity

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Quick Ratio} = \frac{\text{Current Assets} - \text{Inventory} - \text{Prepays}}{\text{Current Liabilities}}$$

Activity Ratios

$$\text{Inventory Turnover} = \frac{\text{COGS}}{\text{Average Inventory}}$$

$$\text{Accounts Receivable Turnover Ratio} = \frac{\text{Net credit sales}}{\text{Average net accounts receivable}}$$

$$\text{Average collection Period} = \frac{365}{\text{Accounts receivable turnover ratio}}$$

$$\text{Fixed Asset Turnover} = \frac{\text{Net Sales}}{\text{Average fixed assets}}$$

$$\text{Total Asset Turnover} = \frac{\text{Net Sales}}{\text{Average total assets}}$$

Leverage Ratios

$$\text{Debt to Equity} = \frac{\text{Total Liabilities}}{\text{Owner's Equity}}$$

$$\text{Debt to Total Assets} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

Profitability Ratios

$$\text{Gross Profit Margin Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

$$\text{Operating Profit Margin Ratio} = \frac{\text{Operating Income}}{\text{Net Sales}}$$

$$\text{Net Profit Margin Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}}$$

$$\text{Operating Return on Assets Ratio} = \frac{\text{Operating income}}{\text{Average total assets}}$$

$$\text{Net Return on Assets Ratio} = \frac{\text{Net Income}}{\text{Average total assets}}$$

$$\text{Return on equity ratio} = \frac{\text{Net Income}}{\text{Average owners equity}}$$